(a Component Unit of the State of Alaska)

Unaudited Financial Statements

December 31, 2007 and 2006

(a Component Unit of the State of Alaska)

December 31, 2007 and 2006

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(a Component Unit of the State of Alaska)

Balance Sheets

December 31, 2007 and 2006

(in thousands)

Assets	2007	2006
Current assets:		
Cash (note 3)	\$ 67	130
Accrued interest receivable-investments	204	156
Investments (note 3)	33,056	27,959
Other	6	_
Restricted investments (note 3)	26,180	26,975
Total current assets	59,513	55,220
Noncurrent assets:		
Restricted:		
Cash (note 3)	1,739	1,624
Due from U.S. Department of Education	782	464
Accrued interest receivable-investments	1,088	4,109
Accrued interest receivable-loans, net (note 6)	19,754	17,536
Investments (note 3)	297,395	353,547
Loans receivable, net (note 4 and 5)	535,775	513,671
Bond issue cost, net (note 8)	5,632	6,167
Total noncurrent assets	862,165	897,118
Total assets	\$ 921,678	952,338

(Continued)

(a Component Unit of the State of Alaska)

Balance Sheets

December 31, 2007 and 2006

(in thousands)

Liabilities and Net Assets		2007	2006
Liabilities:			
Current:			
Payable from unrestricted assets:			
Warrants outstanding	\$	158	75
Accounts payable		647	563
Dividend payable (note 11)		4,100	1,200
Payable from restricted assets:			
Due to State of Alaska		48	51
Accounts payable		4	3
Warrants outstanding (note 4)		1,319	1,665
Arbitrage rebate payable (note 9)		31	15
Return of capital payable (note 11)		15,247	81,808
Interest payable		7,777	9,286
Deferred credit (note 2)		2,794	3,107
Bonds payable (note 7)		37,410	35,800
Total current liabilities	_	69,535	133,573
Noncurrent-payable from restricted assets:			
Arbitrage rebate payable (note 9)		1,273	680
Bonds payable, net (note 7)		665,160	640,950
Other		, _	[^] 754
Total noncurrent liabilities	_	666,433	642,384
Total liabilities		735,968	775,957
Commitments and contingencies (note 11)	_		
Net assets:			
Restricted by State statute		17,572	17,193
Restricted by bond indentures		139,710	132,781
Unrestricted (note 2)		28,428	26,407
Total net assets	_	185,710	176,381
Total liabilities and net assets	\$ _	921,678	952,338
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(a Component Unit of the State of Alaska)

Statements of Revenue, Expenses and Changes in Net Assets

Six Months Ended December 31, 2007 and 2006

(in thousands)

	2007	2006
Operating revenue-interest income-loans, net (note 6)	\$21,551_	19,676
Operating expenses:		
Provision for:		
Loan losses (note 5)	2,896	2,533
Forgiveness (note 5)	181	180
Operations	6,685	6,465
Total operating expenses	9,762	9,178
Operating income	11,789	10,498
Nonoperating revenue (expense), excluding dividend:		
Investment income	12,810	12,062
Interest expense	(15,647)	(14,921)
Auction agent and broker dealer costs	(193)	(175)
Arbitrage rebate (note 9)	774	-
Amortization of bond issuance costs (note 8)	(894)	(287)
Net nonoperating expense	(3,150)	(3,321)
Income before dividend	8,639	7,177
Dividend (note 11)	(4,100)	(1,200)
Change in net assets	4,539	5,977
Total net assets-beginning	181,171_	170,404
Total net assets-ending	\$ 185,710	176,381

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Statements of Cash Flows

Six Months Ended December 31, 2007 and 2006

(in thousands)

		2007	2006
Cash flows from operating activities:			
Principal repayments received on loans	\$	28,752	28,826
Interest received on loans		12,483	1 5,4 41
Other cash receipts		671	666
Loans originated		(37,325)	(36,216)
Cash paid to Alaska Commission on Postsecondary			
Education for operating expenses		(3,829)	(6,631)
Net cash provided by operating activities		752	2,086
Cash flows from noncapital financing activities:			
Bond issue costs		-	(63)
Auction agent and broker dealer costs		(164)	(175)
Interest paid on bonds		(15,241)	(13,600)
Principal payments on bonds		(66,800)	(40,225)
Net cash used by noncapital financing activities		(82,205)	(54,063)
Cash flows from investing activities:			
Income received on investments		11,791	7,451
Investments matured or sold		2,958,076	2,598,859
Investments purchased		(2,823,293)	(2,521,314)
Net cash provided by investing activities		146,574	84,996
Cash flows from capital activities:			
Interest paid on bonds		(2,861)	(3,220)
Principal payments on bonds		(9,020)	(8,945)
Return of capital payments		(53,241)	(19,903)
Net cash used by capital activities		(65,122)	(32,068)
Net increase (decrease) in cash		(1)	951
Cash at beginning of period	,	1,807	803
Cash at end of period	\$	1,806	1,754

(Continued)

(a Component Unit of the State of Alaska)

Statements of Cash Flows

Six Months Ended December 31, 2007 and 2006

(in thousands)

	_	2007	2006
Reconciliation of operating income to net cash			
used by operating activities:		44	
Operating income	\$_	11,789	10,498
Adjustments to reconcile operating income to net cash			
used by operating activities:			
(Increase) decrease in other assets		(219)	393
Increase in net accrued interest receivable-loans		(118)	(257)
Increase in net loans receivable		(11,427)	(9,299)
Decrease in due to State of Alaska		(415)	(424)
Increase in warrants outstanding		1,136	1,294
Increase in accounts payable		56	186
Decrease in deferred credit		(50)	(418)
Increase in other liabilities	_		113
Total adjustments	_	(11,037)	(8,412)
Net cash used by operating activities	\$ =	752	2,086
Summary of noncash noncapital financing, investing, and			
capital activities that affect recognized assets and liabilities:			
Amortization of bond premium		(846)	(667)
Decrease in interest payable		(1,609)	(1,232)
Amortization of bond issuance cost		(1,009) 894	(1,232)
Decrease in arbitrage rebate payable		(774)	207
(Increase) decrease in interest receivable - investments		1,752	(2,864)
Increase in unrealized gain on investments		(2,772)	(1,435)
Decrease in return of capital payable		(52,041)	(18,002)
Increase in auction agent and broker dealer payable		29	(10,002)
Increase (decrease) in dividends payable		2,900	(700)
morease (decrease) in dividends payable		4,500	(100)

(a Component Unit of the State of Alaska)

Notes to Financial Statements
December 31, 2007 and 2006
(in thousands)

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, was created in 1987 by an act of the State of Alaska Legislature (Legislature). The purpose of the Corporation is to provide low-interest education loans to Alaskans. The Corporation is authorized, with certain limitations, to issue bonds and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. All obligations so issued shall not be deemed to constitute a debt of the State of Alaska (State).

The State Governor appoints the Corporation's Board of Directors (Board) and the Alaska Commission on Postsecondary Education (Commission) staff serve as staff for the Corporation. The Commission's operating and capital budget is funded by the Corporation. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State.

The State has provided education loans through various programs since 1968. Prior to the creation of the Corporation, substantially all such loans were recorded in the Scholarship Revolving Loan Fund and Teacher Scholarship Loan Fund (Funds) of the State. In April 1988, by act of the Legislature, the assets, liabilities, and equities of the Funds were transferred to the Corporation effective December 30, 1987.

Loans are financed through the issuance of tax-exempt bonds and recycled loan payments. The bonds outstanding are payable primarily from payments on financed loans as specified in the bond indentures.

(2) Summary of Significant Accounting Policies

(a) Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's bond indentures and State statutes, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) Standard Application

As allowed by the Government Accounting Standards Board Statement No. 20 (GASB No. 20), Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Corporation has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

(c) Fiscal Year

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

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Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(d) Operating Revenues and Expenses

The Corporation's purpose is to make education loans to qualified borrowers. Its operating revenue is derived from interest on education loans. The cost of providing and servicing education loans are recorded as operating expenses.

(e) Management Estimates

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual amounts could differ from those estimates. The more significant accounting and reporting policies applied in the preparation of the accompanying financial statements are discussed below.

(f) Loans

Loans represent education loans issued through the AlaskAdvantage[®] Loan Programs, which include Alternative, Alternative Consolidation, Teacher Education (TEL), Family Education (FEL), (collectively referred to as Alternative or State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). The terms of the loans vary depending on the year of origination and loan type. Interest accrues at fixed and variable rates ranging from 2.875% to 9% and is generally determined by loan type and origination date. The Corporation offers borrower benefits, which reduce costs for eligible borrowers. The borrower benefit offerings are approved by the Board annually and may vary from year-to-year.

(g) Loan Allowances

The allowance for doubtful loans represents management's estimate, based on experience, of all loans that will ultimately be uncollectible. The Corporation charges off Alternative loans to the allowance upon death, bankruptcy (as allowed by law), total disability, or when a payment has not been received for five years on loans not in deferment. The Corporation charges off the portion of Federal loan balances not recovered through the federal guarantee.

The allowance for forgiveness represents management's estimate, based on experience, of the loan forgiveness that will ultimately be applied for and granted.

A borrower of a TEL can obtain up to 100% forgiveness of loan principal if the borrower teaches in rural Alaska for periods specified by the program. A borrower of Alternative loans prior to July 1, 1987, can obtain up to 50% forgiveness of loan principal if the borrower meets conditions specified by the program.

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Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(h) Interest on Education Loans

Interest on education loans is accrued when earned. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the student withdraws from school (plus any authorized deferment periods) is billed to and paid by the U.S. Department of Education under the Federal Family Education Loan Program. The borrower is responsible for interest subsequent to that date. For federally guaranteed non-subsidized loans and for all Alternative loans issued after June 30, 2002, interest from the disbursement date is the responsibility of the borrower.

Alternative loans (other than FEL) awarded prior to July 1, 2002, and all TELs are non-interest bearing while the borrower is completing eligible studies. Loans (other than FEL) issued prior to July 1, 1996, are non-interest bearing during approved periods of deferment and postponement. Loans (other than FEL) issued prior to July 1, 1987, are also non-interest bearing during a one-year grace period following completion of studies and a six-month grace period following an approved deferment. Non-interest bearing loans are approximately \$7,631 and \$11,714 at December 31, 2007 and 2006, respectively.

(i) Interest Allowances

The allowance for doubtful interest represents management's estimate, based on experience, of all accrued interest that will ultimately be uncollectible. The Corporation charges off accrued interest when the related loan is charged off.

A borrower of a TEL can obtain up to 100% forgiveness of loan interest if the borrower teaches in rural Alaska for periods specified by the program. A borrower of Alternative Supplemental Education loans prior to July 1, 1987, can obtain up to 50% forgiveness of loan interest if the borrower meets conditions specified by the program.

The allowance for forgiveness represents management's estimate, based on experience, of the accrued interest forgiveness that will ultimately be applied for and granted.

(j) Deferred Credit

Borrowers who received Alternative loans after June 30, 1994, were charged an origination fee of 1%, 3% or 5%, generally determined by loan origination date. Loan origination fees, recognized as a deferred credit, are used by the Corporation to offset losses incurred as a result of death, disability, default or bankruptcy of the borrower as required by State statute or the Alaska Administrative Code. The allowance for doubtful loans has been reduced by the deferred credit balance.

(k) Bond Issuance Costs

Bond issuance costs include underwriters' fees and other costs incurred in connection with the issuance of bonds and are amortized over the life of the bond using the straight-line method.

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Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(1) Bond Premiums

Bond premiums are amortized over the life of the bond using the straight-line method.

(m) Income Taxes

The Corporation, as a governmental instrumentality, is exempt from federal and state income taxes.

(n) Investments

The Corporation carries all investments at fair value.

(o) Unrestricted Net Assets

Unrestricted net assets represent assets of the Corporation not pledged as collateral to a specific bond indenture or restricted by enabling legislation.

(p) Reclassifications

Certain reclassifications not affecting change in net assets have been made to the 2006 financial statements to conform to the 2007 presentation.

(3) Cash and Investments

(a) Cash

Cash consists mainly of deposits held in trust which is restricted by the Corporation's bond indentures.

Custodial Credit Risk

The Corporation assumes levels of custodial credit risk for its deposits with financial institutions. Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At December 31, 2007, the Corporation's cash balance included \$1,714 in uninsured deposits collateralized with securities held by the Federal Reserve Bank but not in the Corporation's name.

(b) Investments

The fair value of the Corporation's investments, by classification, at December 31 is shown below:

	_	2007	2006
Restricted	\$	323,575	380,522
Unrestricted	_	33,056	27,959
	\$	356,631	408,481

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Notes to Financial Statements

(3) Cash and Investments (cont.)

Restricted investments include amounts specifically designated for financing education loans totaling \$98,367 and \$85,363 at December 31, 2007 and 2006, respectively.

The fair value of investments, by investment type, at December 31 is shown below:

		2007	2006
Guaranteed investment contracts ¹	\$	89,995	119,162
External investment pool - repurchase agreements		61 5	1,449
U.S. Treasury securities		67,420	52,561
U.S. Government agency securities		87,922	86,044
Corporate bonds		4,273	4,003
Asset-backed securities		14,273	11,296
Money market funds		66,843	109,537
Internal investment pools	_	25,290	24,429
Total investments	\$	356,631	408,481

¹ includes repurchase agreements

Internal Investment Pools

The Corporation invests in the State's internally managed Short-term Fixed Income Pool and the General Fund and Other Non Segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's Short-term and Intermediate-term Fixed Income Pools. Actual investing is performed by investment officers in the State's Department of Revenue, Treasury Division (Treasury). Both pools participate in Treasury's securities lending program. A complete description of the investment policy for each pool is included in the Department of Revenue, Treasury Division's, Policies and Procedures.

Investments in the pools are reported at fair value and purchases and sales are recorded on a tradedate basis. Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type.

The accrual basis of accounting is used for investment income which is distributed to the Corporation monthly.

At December 31 the Corporation's share of the State's internal investment pools was as follows:

		2007	2006
GeFONSI	\$ -	3,553	24,429
Short-term Fixed Income Pool	_	21,737	-
	\$	25,290	24,429

Investments by investment type are not available for internal investment pools at December 31.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as restricted or unrestricted and are managed either by staff or by Treasury. The Corporation's investment policies provide investment guidelines for unrestricted funds.

The following securities are eligible for investment under the Corporation's investment policies:

- Debt instruments issued by the U.S. Government, its agencies and instrumentalities.
- Investment contracts and repurchase agreements with a corporation or other entity which has a long-term debt rating of at least A3 by Standard and Poor's or A- by Moody's and where collateral is maintained at a minimum level of 102% when using direct obligations of the U.S. Treasury or 103% when using allowable agency securities.
- Guaranteed investment contracts with a corporation or other entity which has a long-term debt rating of at least A3 by Standard and Poor's or A- by Moody's.
- Investments in a money market fund rated AAAm or AAAm-G or better by Standard & Poor's and Aaa by Moody's.

In addition to the above guidelines, the following policies apply to unrestricted funds managed by Treasury other than investments in the State's internal investment pools:

- General obligations of any state or municipality with a published rating of low "A" or better, and debt instruments that have been issued by domestic entities rated low "A" or better by at least two nationally recognized rating services, and dollar denominated debt instruments of comparable quality issued by non-domestic entities.
- Government National Mortgage Association, Federal National Mortgage Association or Federal Home Loan Mortgage Corporation asset-backed securities.
- Certificates of deposit and term deposits of United States Domestic financial institutions which are members of the Federal Deposit Insurance Corporation provided that such entities have the highest credit rating assigned by a nationally recognized rating service, and which may be readily sold in the secondary market at prices reflecting fair value.
- Short-term domestic corporate promissory notes (commercial paper) payable in United States dollars of the highest rating assigned by a nationally recognized rating service.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer.

For investment contracts, the investment agreement providers will be limited to providing investments to the lesser of \$50,000 or 25% of total financial assets. These diversification standards are not applicable to investments in direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and are also unconditionally guaranteed as to the timely payment of principal and interest by the U.S. or bonds, notes or other evidences of indebtedness rated "AAA/Aaa" and issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

Restricted funds are invested according to the terms outlined in their respective indentures which generally mandate the purchase of relatively short-term, high quality fixed income securities. In those instances, if any, where an indenture is less restrictive than the Corporation's investment policy, the investment will be made in accordance with the more restrictive investment policy.

Investment Holdings Greater than Five Percent of Total Investments

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's policy and investments which have no established concentration limits.

At December 31, 2007, the Corporation had investment balances (excluding investments in the State's internal investment pools) greater than five percent of the Corporation's total investments with the following issuers:

		Percent of Total
	Fair Value	investments
Federal National Mortgage Association	\$ 49,883	14
Citigroup	43,173	12
Wells Fargo	26,752	8
Federal Home Loan Mortgage Corporation	25,982	7
Federal Home Loan Bank	22,637	6

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policies, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities. Additionally, for funds (other than funds invested in the State's internal investment pools) managed by Treasury, the weighted average quality rating of the portfolio must be maintained at AA- or better as determined by a nationally recognized rating service.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

The credit quality ratings of the Corporation's investments, other than the investment in the State's internal investment pools, at December 31 as described by a nationally recognized rating service, are shown below (using Standard & Poor's Corporation rating scale).

Ratings ¹	2007	2006
U.S. Government agencies		
AAA	\$ 48,735	68,594
Corporate bonds		
AAA	1,440	1,080
AA	1,830	1,429
Α	898	1,494
BAA	105	-,
	4,273	4,003
Asset backed securities		
AAA	3,609	937
Α	50	_
	3,659	937
Money market funds		
AAA	66,843	109,537
Unrated investments		
Guaranteed investment contracts	89,995	119,162
U.S. Government agencies	39,187	17,450
Asset backed securities	10,614	10,359
External investment pool	615	1,449
Internal investment pools	25,290	24,429
r · · · ·	165,701	172,849
Securities not exposed to credit risk		
U.S. Treasury securities	67,420	52,561
	\$ 356,631	408,481
		100,101

¹ Rating modifiers are not disclosed.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

Treasury's investment policy for the State's internal investment pools has the following limitations with regard to credit risk.

With the exception of the sweep account, Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least A1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is A3 or equivalent. Asset-backed and non-agency mortgage securities may only be purchased if rated by one of the nationally recognized rating services mentioned above if they are rated AAA. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least BBB3 or equivalent and securities with a short-term credit rating of at least A1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is BBB3 or equivalent. Asset-backed and non-agency mortgage securities may only be purchased if rated by one of the rating agencies mentioned above if they are rated AAA.

Credit quality ratings for investments held in the State's internal investment pools are not available at December 31, 2007.

At December 31, 2007, the securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring its investment's maturities to meet cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

Duration

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a portfolio is the average fair value weighted duration of each security in the portfolio taking into account all related cash flows.

The following table shows the Corporation's investments (excluding the State's internal investment pools), with their weighted average modified duration at December 31, 2007, by investment type:

Guaranteed investment contracts	2.73
External investment pool	_
U.S. Treasury securities	2.04
U.S. Government agency securities	0.96
Corporate bonds	4.87
Asset-backed securities	4.51
Money market funds	-
Portfolio modified duration	1.94

The Corporation has not established an interest rate risk policy for such investments.

Through its investment policy, Treasury manages the State's internal investment pools' exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its Intermediate-term Fixed Income Pool to \pm 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2007, was 2.24 years and the effective duration of the Intermediate-term Fixed Income Pool at June 30, 2007 was 1.93. Effective duration is not available at December 31, 2007.

The Corporation uses industry-standard software developed by Advent and Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the duration calculation.

As a means of limiting the Short-term Fixed Income Pool's exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities.

At June 30, 2007, the expected average life of individual fixed rate securities held in the Short-term Fixed Income Pool range from one day to ten months and the expected average life of floating rate securities range from less than one year to three years. This information is not available at December 31, 2007.

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Notes to Financial Statements

(3) Cash and Investments (cont.)

Securities Lending

Alaska statutes authorize the Commissioner of Revenue (Commissioner) to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Commissioner entered into an agreement with State Street Corporation (the Bank) to lend securities in the State's internally managed investment pools. The Bank, acting as the Commissioner's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2007 and 2006, the fair value of securities on loan allocable to the Corporation totals \$6,025 and \$4,013 respectively. This information is not available at December 31, 2007.

There is no limit to the amount that can be loaned and the Commissioner is able to sell securities on loan. Loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally do not match the maturities of the loaned securities because the lending agreements are terminable at will. Collateral securities may be pledged or sold upon borrower default. Since the Commissioner does not have the ability to pledge or sell the collateral securities unless the borrower defaults, they are not recorded in the financial statements. Securities under loan, cash collateral and cash collateral payable are recorded in the financial statements at fair value. The Bank, the Corporation and the borrower receive a fee from earnings on invested collateral. The Bank and the Corporation share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since the Commissioner is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies the Commissioner against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the six-month period ended December 31, 2007, there are no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

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Notes to Financial Statements

(4) Loans Receivable

The loan portfolio summarized by program at December 31 follows:

State Alternative Loans \$	
911-Diment's . 426.266 400.5	
Supplemental Education 436,366 432,7	62
Consolidation 103,924 104,2	01
Teacher Education 8,386 8,5	30
Family Education	49
Total Alternative Loans 555,678 552,74	42
Federal Family Education Loans	
Stafford 68,994 51,7	27
PLUS 3,447 2,2	52
Consolidation 23,593 18,2	.77
Total Federal Loans 96,034 72,23	56
Total \$ 651,712 624,99	98

The loan portfolio summarized by loan status at December 31 follows:

	_	200	07	20	06
	State		State Federal		Federal
Enrollment	\$	84,850	35,011	88,557	28,591
Grace		9,258	5,733	10,034	4,526
Repayment		399,362	41,838	383,454	28,622
Deferment		48,411	9,933	48,575	7,608
Forbearance	_	13,797	3,519	22,122	2,909
Total	\$ =	555,678	96,034	552,742	72,256

Loans are pledged to the Corporation's bond indentures.

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Notes to Financial Statements

(4) Loans Receivable (cont.)

Loans awarded not disbursed at December 31 follows:

		2007	2006
State Alternative Loans			·
Supplemental Education	\$	16,642	16,884
Teacher Education		319	323
Family Education	_	605	614
Total Alternative Loans	_	17,566	17,821
Federal Family Education Loans	_	-	
Stafford		12,326	12,505
PLUS	_	919	932
Total Federal Loans		13,245	13,437
Total	\$ _	30,811	31,258

Included in loans receivable are \$1,313 and \$1,485 of loan warrants issued but not redeemed by borrowers at December 31, 2007 and 2006, respectively. Redemption is contingent upon the borrower meeting certain eligibility requirements.

(5) Loan Allowances

A summary of the activity in the allowance for doubtful loans at December 31 follows:

 2007	2006
\$ 111,141	107,283
2,896	2,533
 (347)	(813)
\$ 113,690	109,003
\$ \$ \$	2,896 (347)

A summary of the activity in the allowance for principal forgiveness at December 31 follows:

	_	2007	2006
Balance at beginning of period	\$	2,238	2,348
Provision for forgiveness		181	180
Forgiveness granted		(172)	(204)
Balance at end of period	\$ _	2,247	2,324

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Notes to Financial Statements

(6) Loan Interest Allowances

A summary of the activity in the allowance for doubtful interest at December 31 follows:

	_	2007	2006
Balance at beginning of period Provision for doubtful interest	\$	26,206 331	23,252 1,936
Net interest charged off Balance at end of period	s <u>-</u>	(174) 26,363	(1,377) 23,811

A summary of the activity in the allowance for interest forgiveness at December 31 follows:

		2007	2006
Balance at beginning of period	\$	471	402
Provision for forgiveness Forgiveness granted		34 (32)	71 (67)
Balance at end of period	\$ _	473	406

(7) Bonds Payable

(a) Bonds payable at December 31 consist of the following:

		Amount or	itstanding
	Original		 -
	Amount	2007	2006
1988 Master Indenture			
Series A Student Loan Revenue Bonds, serial:			
1997, fixed rates ranging from 5.25%			
to 5.75%, due 2008 to 2015	\$ 75,000	-	55,000
1998, fixed rates ranging from 4.80%			
to 5.3%, due 2008 to 2015	88,570	45,000	48,000
1999, fixed rates ranging from 4.90%			
to 5.45%, due 2008 to 2016	40,000	28,000	30,250
2000, fixed rates ranging from 5.50%			
to 6.05%, due 2008 to 2017	32,140	25,730	28,340
term bonds, 6.0%, due			
2015 and 2016	7,860	7,860	7,860
2001, fixed rates ranging from 4.45%			
to 4.65%, due 2008 to 2010	33,345	12,935	16,875
Sub-total	\$ 276,915	119,525	186,325

ALASKA STUDENT LOAN CORPORATION (a Component Unit of the State of Alaska)

Notes to Financial Statements

(7) Bonds Payable (cont.)

		Amount or	utstanding
	Original	<u> </u>	
000016	Amount	2007	2006
2002 Master Indenture			
Education Loan Revenue Bonds:			
2002, Auction rate bonds:			
Series A, due 2011 to 2037	47,500	21,100	21,100
Series B, due 2037	15,000	15,000	15,000
2003, Auction rate bonds:			
Series A-1, due 2011 to 2016	16,500	16,500	16,500
Series A-2, due 2038	30,500	30,500	30,500
2004, Auction rate bonds:			
Series A-1, due 2044	45,500	45,500	45,500
Series A-2, due 2044	47,600	47,600	47,600
Serial bonds Series A-3 fixed rates			
ranging from 5.0% to 5.25%,			
due 2011 to 2017	22,015	22,015	22,015
2005, Serial bonds, Series A fixed			
rates ranging from 4.0% to			
5.0%, due 2008 to 2018	58,250	58,250	58,250
2006, Auction rate bonds:			
Series A-1, due 2040	30,000	30,000	30,000
Serial bonds, fixed rate 5.0%			
due 2009 to 2018	55,000	55,000	55,000
2007, Auction rate bonds:			
Series A-1, due 2042	41,500	41,500	-
Serial bonds, fixed rate 5.0%,			
due 2010 to 2019	18,500	18,500	-
Serial bonds, fixed rate 5.0%,			
due 2008 to 2014	49,000	49,000	
Sub-total	476,865	450,465	341,465

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Notes to Financial Statements

(7) Bonds Payable (cont.)

			Amount or	itstanding
2004 Master Indenture	Orig Amo		2007	2006
Series A Capital Project Revenue Bonds:				
Serial bonds, fixed rates ranging from 2.0% to 4.0%, due 2008 to 2016		,910	49,230	55,230
Term bonds, fixed rate 4.0%, due 2018 Sub-total		,230 ,140	5,230 54,460	5,230 60,460
2005 Master Indenture Series A State Projects Revenue Bonds: Serial bonds, fixed rates ranging				
from 5.0% to 5.5%, due 2008 to 2014	88	,305	64,000	76,000
Total Bonds Payable	\$ 917	,225	688,450	664,250
Premium			14,120	12,500
Net Bonds Payable		\$	702,570	676,750

(b) The minimum payments and sinking fund installments for the five years subsequent to December 31, 2007, and thereafter are as follows:

Period ending December 31	 Principal	Interest	Total
2008	\$ 37,410	35,079	72,489
2009	41,895	33,267	75,162
2010	45,305	31,147	76,452
2011	62,405	28,243	90,648
2012	64,550	25,030	89,580
2013-2017	204,760	86,560	291,320
2018-2022	16,725	59,546	76,271
2023-2027	-	11,831	11,831
2028-2032	_	11,831	11,831
2033-2037	20,300	11,214	31,514
2038-2042	60,500	9,657	70,157
2043-2044	134,600	2,977	137,577
	\$ 688,450	346,382	1,034,832
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Notes to Financial Statements

(7) Bonds Payable (cont.)

(c) The 1988 and 2002 Master Indenture Bonds are private activity bonds. The 2004 and 2005 Master Indenture Bonds are general obligation bonds. The bonds are secured by education loans and other assets of the Corporation and are not obligations of the State. Payments are due as follows:

	Master Indenture	Principal	Interest
1988		July 1	July 1 and January 1
	2002	June 1	June 1 and December 1
	2004	July 1 and January 1	July 1 and January 1
	2005	July 1 and January 1	July 1 and January 1

All of the bonds are subject to certain early redemption features, both mandatory and at the option of the Corporation. In addition, the bond indentures contain covenants relative to restrictions on additional indebtedness.

All of the bonds outstanding under the 1988 Master Indenture are insured by Ambac Assurance Corporation. The bonds outstanding under the 2004 Master Indenture are insured by MBIA Insurance Corporation. The bonds outstanding under the 2005 Master Indenture are insured by Financial Security Assurance, Inc.

(d) On July 6, 2007, the Corporation called all outstanding 1997 Series A Bonds at par in the amount of \$49,000.

(8) Bond Issue Cost

A summary of bond issue cost activity at December 31 follows:

	_	2007	2006
Balance at beginning of period	\$	6,527	6,391
Additions		(1)	63
Amortization		(894)	(287)
Balance at end of period	\$ _	5,632	6,167

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Notes to Financial Statements

(9) Yield Restriction and Arbitrage Rebate

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the yield of the bonds. Most of the non-loan investments are subject to rebate provisions or restricted to the related bond yield. These restrictions are in effect over the lives of the bonds. The Corporation has investment yields calculated annually to determine both compliance with Internal Revenue Service (IRS) provisions and the arbitrage rebate liability at year end. The amount accrued for arbitrage rebate liability represents the amount due to the IRS for earnings in excess of the allowable bond yield. Loan yields are calculated every ten years for each Master Indenture as required by IRS provisions.

(10) Federal Family Education Loan Program

Beginning in fiscal year 2003, the AlaskAdvantage® program offerings expanded to include loans governed by the Higher Education Act (HEA), specifically federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loans. To accommodate the federal loan program, the Commission secured the status of "eligible lender" and entered into various agreements with Northwest Education Loan Association (NELA), which serves as the "eligible" guarantor.

As a federal loan lender acting on the Corporations behalf, the Commission receives claim, special allowance and interest subsidy payments on federally guaranteed loans as authorized by the HEA and pays various fees (origination, lender, default, and rebate) as specified in the HEA. The HEA is subject to amendment that could impact these payments.

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled or defaults on their loan. The lender is eligible for these payments provided they adhere to servicing requirements as outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if first disbursed prior to July 1, 2006, and 97% if first disbursed after June 30, 2006. All other claims are guaranteed at 100%.

Special allowance payments (SAP) are received quarterly from the U.S. Department of Education (Department). The SAP is based on a rate that is established quarterly by the Department. The rates differ according to loan type, disbursement date, loan status, and interest rate. As a general matter, the amount of the SAP with respect to any loan is the difference between the loan's stated interest rate and the special allowance rate applicable to the loan. SAP on loans is calculated using the quarter's daily average 3-month commercial paper rate.

Interest subsidies are also received quarterly from the Department and are paid on behalf of a qualified borrower of a subsidized Stafford or subsidized Consolidation loan during periods of enrollment, grace, or deferment.

An origination fee must be paid to the Department for Stafford and PLUS loans. The fee is equal to a percentage of the disbursed amount. Borrowers of PLUS loans are charged 3%. Borrowers of Stafford loans are charged 1.5% and 2% for fiscal years 2008 and 2007, respectively. The Corporation elected to pay the Stafford origination fee for fiscal year 2008 and 2007.

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Notes to Financial Statements

(10) Federal Family Education Loan Program (cont.)

Payment of a lender fee is required on federal loans in an amount equal to 0.05% of the disbursed amount. Origination and lender fees are paid quarterly to the Department.

Default fees are paid monthly to the guarantor. The fee, in the amount of 1% of the disbursed amount, must be charged on Stafford and PLUS loans and may be charged to the borrower as a disbursement reduction at the time of disbursement. This fee was first effective in fiscal year 2007 and was paid by either the Corporation or NELA on behalf of the borrower.

Rebate fees on Consolidation loans are paid monthly to the Department. The fee is equal to 0.0875% of the loan's unpaid principal and interest.

(11) Commitments and Contingencies

(a) Operations

The Corporation will fund approximately \$11,291 of the Commission's operating budget for fiscal year 2008. Amounts funded by the Corporation will be based on expenditures paid or payable by the Commission, on the Corporation's behalf.

(b) Dividends and Return of Capital

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend annually based on net income. If the Board elects to make such a payment, the amount may not be less than 10%, or greater than 35%, of the Corporation's income before transfers when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

On October 15, 2007, the Board approved a \$4,100 dividend to the State which will be paid during fiscal year 2009. On October 2, 2006, the Board approved a \$1,200 dividend to the State which was paid during fiscal year 2008.

As an additional means of returning capital, State statutes allow the Corporation to issue bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. In fiscal years 2005 and 2004, the Corporation issued \$163,445 of capital project bonds to finance State capital projects. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds. Restricted investments include amounts specifically designated for financing State capital projects totaling \$20,444 and \$85,599 at December 31, 2007 and 2006, respectively.

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Notes to Financial Statements

(11) Commitments and Contingencies (cont.)

(c) State Permanent Fund Dividend Seizure

The Alaska Permanent Fund (Permanent Fund) is a fund held and managed by the State and was established in the Alaska State Constitution in 1976. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to the State statutes. The Commission may seize a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has seizure priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD.

PFD seizures collected by the Commission were approximately \$4,908 and \$3,868 for the six month periods ended December 31, 2007 and 2006, respectively.

(d) Legislation

The State Alternative Education Loan program has traditionally been the subject of legislative action by the State. The laws governing the program have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the State program cannot be determined.

The HEA has traditionally been the subject of legislative action by the Federal government. The HEA and related federal regulations have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the Federal program offered by the Corporation, cannot be determined.

(e) Non Investment Interest Rate Risk

The Corporation is subject to interest rate risk relating to its variable rate bonds and variable rate loans. The bonds are subject to an interest rate cap of 14% while the loans are subject to an interest rate cap of 8.25% to 9.50% depending on loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate.

(12) Subsequent Events

On February 29, 2008, the Corporation legally defeased the bonds held in the 1988 Master Indenture. Loans with a par value of \$145.7 million pledged to the 1988 Master Indenture were released to the Corporation upon defeasance.

In May 2008, the Commission was notified that its request to have the FFELP lender name changed from the Commission to the Corporation was approved. This request was made to more clearly align the lender name with the entity legally entitled to the loans.